

Message Text

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16

ORIGIN COME-00

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

/102 R

DRAFTED BY COM:TNAD:OTP:IEPR:SARLINGHAUS/BMARS

APPROVED BY EB/OCA/REP/BEBYRON

COM:TNAD:FMONTGOMERY

DMORRISON:STATE EB/OT/GCP

STR:DWHITNACK

KREYNOLDS:AGRICULTURE

EUR/SE/BHIRSHORN (INFO)

JSCHOTT:TREASURY

----- 060405

R 072356Z MAY 75

FM SECSTATE WASHDC

TO USMISSION GENEVA

INFO AMEMBASSY ATHENS

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E.O. 11652:N/A

TAGS: GATT:SZ

SUBJECT: GREEK CONVERSION TO AD VALOREM BASIS OF CERTAIN
SPECIFIC DUTIES

REF: GATT L/4113

1. COMMERCE AND AGRICULTURE HAVE EXAMINED L/4113 LISTING
SPECIFIC DUTIES CONTAINED IN GREEK SCHEDULE XXV WHICH ARE TO
BE CONVERTED TO AD VALOREM BASIS. COMMENTS ON NOTIFICATION
ARE PROVIDED IN FOLLOWING PARAGRAPHS.

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2. GREEKS STATE THAT REASON FOR CONVERSION IS CONTINUING ALIGNMENT OF THEIR TARIFF WITH CXT UNDER EC-GREECE ASSOCIATION AGREEMENT. FOR ITEMS COVERED BY THIS AGREEMENT WE HAVE NO CONCERN IN PRINCIPLE TO THE CHANGE TO AD VALOREM BASIS SINCE THESE ULTIMATELY HAVE TO TAKE AD VALOREM FORM UPON FINAL ALIGNMENT WITH CXT.

3. WE NOTE, HOWEVER, THAT FIVE OF THE TARIFF HEADINGS TO BE CONVERTED FALL UNDER PROVISIONS OF AGREEMENT EXCEPTING CERTAIN GREEK TARIFFS FROM SUCH ALIGNMENT. THESE HEADINGS ARE: 04.04B1, 04.04B2, L12.03C, 15.04A, 73.13A2. THESE ITEMS MAY HAVE BEEN INCLUDED AT THIS TIME IN ORDER TO MAKE PRESENT NOTIFICATION ALL INCLUSIVE REGARDING SCHEDULE XXV. ON THE OTHER HAND PRESENT SITUATION OF RAPIDLY RISING PRICES SUGGESTS THAT GREECE MAY BE FEELING PRESSURE TO CONVERT SPECIFIC RATES TO AD VALOREM BASIS IN ORDER MAINTAIN ADEQUATE LEVEL TARIFF PROTECTION FOR DOMESTIC PRODUCERS. IN EITHER EVENT, SITUATION POINTS UP NEED FOR FOLLOWING APPROPRIATE GATT PROCEDURES IN HANDLING CONVERSION OF SPECIFIC RATES IN ORDER AVOID SETTING HARMFUL PRECEDENT FOR OTHER CPS.

4. SINCE GENERAL AGREEMENT CONTAINS NO PROVISIONS AUTHORIZING CPS TO CONVERT BOUND RATES FROM SPECIFIC TO AD VALOREM BASIS, IT HAS CONSISTENTLY BEEN U.S. AND OTHER CPS VIEW THAT ANY SUCH CONVERSION SHOULD BE MADE UNDER SOME PROCEDURE FOR MODIFICATION OF CONCESSIONS, E.C. ARTICLE XXVIII. (SEE BISD THIRD SUPPLEMENT, PP. 127-130). FYI: UNDER SUCH PROCEDURES, MODIFICATIONS WOULD THEN BE EXAMINED BY INTERESTED CPS TO DETERMINE WHETHER ANY CONCESSIONS WOULD BE VIOLATED BECAUSE OF CONVERSION OF RATES. IN THIS RESPECT, IT IS GATT PRACTICE TO MAKE SUCH A DETERMINATION ON THE BASIS OF WHETHER THE VALUE OF DUTIES TO BE COLLECTED PER UNIT OF MEASURE (AS DEFINED BY SPECIFIC RATE) UNDER THE NEW AD VALOREM RATE WOULD EXCEED THE DUTIES COLLECTED PER UNIT UNDER THE BOUND SPECIFIC RATE. END FYI. ACTION REQUESTED; MISSION REQUESTED TO ASK GREEK REPS IF INCLUSION OF FIVE ITEMS NOT BEING ALIGNED WITH CXT WAS INTENTIONAL. IT IS OUR VIEW THAT SUCH TARIFF CHANGES (UNRELATED TO CXT ALIGNMENT) WOULD CONSTITUTE A MODIFICATION OF CON-

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CESSIONS, WHICH WOULD CALL FOR INVOCATION OF APPROPRIATE PROCEDURES.

5. WITH RESPECT TO THE BULK OF TARIFF ITEMS BEING CONVERTED, I.E. THOSE FOR WHICH RATES ARE BEING ALIGNED WITH THE CXT, WE HAVE SO FAR TENTATIVELY IDENTIFIED ONE QUESTIONABLE RATE CONVERSION. FOR ITEM NUMBER 35.06 (ORIGINAL SCHEDULE XXV NUMBER), OUR CALCULATIONS (USING GREEK IMPORT STATIS-

TICS) RESULT IN AN AD VALOREM EQUIVALENT FOR THE SPECIFIC RATE (66 METAL DRACHMAE - 792 PAPER DRACHMAE - PER 100 KG.) OF 9.5 PERCENT FOR 1973 AND 11.8 PERCENT FOR 1972. THE PROPOSED AD VALOREM RATE IS 33.8 PERCENT. THE CXT AND NEW GREEK TARIFF NUMBER CORRESPONDING TO THE ABOVE ORIGINAL SCHEDULE XXV NUMBER IS 35.06B. THE CXT RATE FOR 35.06B IS 15.2 PERCENT. ACCORDING TO LATEST AVAILABLE COUNTRY-SPECIFIC IMPORT STATISTICS (1970), THE U.S. IS THE LARGEST MFN SUPPLIER UNDER 36.05B (1970 IMPORT VALUE TWENTY FIVE THOUSAND DOLLARS). ACTION REQUESTED: MISSION REQUESTED INFORM GREEK REPS THAT IN ORDER FOR U.S. TO COMPLETE EXAMINATION OF NOTIFICATION, WE NEED INFORMATION REGARDING METHOD BY WHICH GOG CALCULATED AD VALOREM RATES AND YEAR OR YEARS OF TRADE USED. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchantr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE107067
Document Source: CORE
Document Unique ID: 00
Drafter: TNAD:OTP:IEPR:SARLINGHAUS/BMARS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750161-0548
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750572/aaaacnqm.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 GATT L/4113
Review Action: RELEASED, APPROVED
Review Authority: buchantr
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUN 2003 by BoyleJA>; APPROVED <08 OCT 2003 by buchantr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GREEK CONVERSION TO AD VALOREM BASIS OF CERTAIN SPECIFIC DUTIES
TAGS: ETRD, SZ, GR, GATT
To: GENEVA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006